



**STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

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February 22, 2005

Honorable Mayor and Members of the
Board of Aldermen
City of Jamestown
P. O. Box 670
Jamestown, TN 38556

Ladies and Gentlemen:

We have completed our investigative audit of selected records of the City of Jamestown Police Department. The audit focused on the period from January 1, 2004, to September 30, 2004. However, when warranted, we expanded that scope. The audit was limited to procedures related to the drug fund and funds for confidential operations. Our audit revealed the following:

1. The recorder did not allocate the applicable portion of drug-related fines to the general fund. Instead, the chief of police deposited all drug-related fine revenue to the drug fund account. Section 39-17-428(c)(1), *Tennessee Code Annotated*, establishes minimum fines for violations of Tennessee's drug control statutes. This section also establishes the distribution of those fines as follows:

Fifty percent (50%) of any fine collected pursuant to subsection (b) shall be allocated in the manner set out in § 39-17-420. The remaining fifty percent (50%) shall be paid to the general fund of the governing body of the law enforcement agency responsible for the investigation and arrest which resulted in the drug conviction...

2. The police department had no one assigned to follow up on drug cases referred to county courts. As a result, the department was unable to determine if it had received all fine revenue due from the county court. State statutes provide that fines from cases involving drug offenses and driving under the influence (DUI) offenses be paid to the jurisdiction that initiates the arrest. Regarding DUI cases, Section 55-10-303, *Tennessee Code Annotated*, states, "The fines, penalties, and forfeitures of bonds imposed or collected under §55-10-401 shall be paid to the jurisdiction which initiated the arrest..." Regarding drug-related cases, Section 39-17-420, *Tennessee Code Annotated*, states:

[A]ll fines and forfeitures of appearance bonds received because of a violation of any provision of this part and that are specifically set forth in this part, and the proceeds of goods seized and forfeited under the provisions of §53-11-451 and disposed of according to law, shall be accounted for in a special revenue fund of the jurisdiction that initiated the arrest.

3. The police department did not follow proper procedures for handling confidential funds. The department had not established a separate bank account for confidential funds. Instead, officers drew confidential funds directly from the drug fund. In addition, confidential fund transactions were not properly documented using prescribed forms. *Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs*, developed by the Comptroller's Office pursuant to Section 39-17-420(f), *Tennessee Code Annotated*, requires that a separate bank account be maintained for confidential funds. The recorder and chief law enforcement officer should determine the amount required to establish the account. That amount should not exceed the total amount needed for confidential operations over the next 45 days. The manual also includes the forms required for proper documentation of confidential funds transactions.

Honorable Mayor and Members of the
Board of Aldermen
City of Jamestown
February 22, 2005
Page 3

4. The police department kept excess cash on hand for confidential operations. *Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs* requires the use of prenumbered checks, signed by the chief law enforcement official or his designee, for all disbursements from the separate confidential funds bank account. The manual also states that funds returned on settlement of cash advances made for undercover investigations shall be redeposited into the confidential funds bank account.

If you have any questions regarding this matter, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit